



CITY OF RICHMOND  
AUDIT COMMITTEE  
HYBRID  
MEETING

CITY HALL  
2<sup>ND</sup> FLOOR LARGE CONFERENCE ROOM  
TUESDAY, DECEMBER 12, 2023  
2:00 PM

# AGENDA



City of Richmond  
Audit Committee Meeting  
Tuesday, December 12, 2023, @2:00 p.m.  
City Hall – **2<sup>nd</sup> Floor Large Conference Room**  
AGENDA

**HYBRID meeting:**

This is an in-person meeting for Audit Committee Members. It is also requested that key staff from the Administration that will be responding to the audits, be available in person.

**For those that will join virtually, see the instructions below:**

- Join on your computer or mobile app [Click here to join the meeting](#)
- You may also listen to the meeting audio from your phone by dialing \*67-804-316-9457 and when prompted, enter conference ID 928 445 371#.

*There will be no opportunities for public comment at this meeting.*

1. Meeting Call to Order – Roll Call
2. Welcome - New Audit Staff
3. Approval of Minutes
  - September 19, 2023
4. External Audit Update - *Mr. Sean Walker, CLA*
  - FY23 Audit Update
5. Audit Reports
  - **2024-05** Annual Follow-up Review – *Bret Lewis / Leigh Ann Castro*
  - **2024-06** Individual Motor Vehicle Personal Property Tax Assessment and Collections – *B. Lewis / J. Harvell*
6. Inspector General Update - *Mr. James Osuna*
7. Old Business
  - FY24 Audit Plan Status – *Bret Lewis*
8. New Business
9. Adjourn

**Next Audit Committee Meeting – Tuesday, March 12, 2024, @ 2 PM**

# MINUTES

AUDIT COMMITTEE MEETING MINUTES  
September 19, 2023, at 2:00 PM  
City Hall, 5<sup>th</sup> Floor large conference room

**HYBRID**

**In Attendance:**

(\*Virtual)

**Audit Committee Members:**

Joseph Kearfott, Chair  
W. Lee Chaney, III  
Daniel Howell  
The Honorable Kristin Nye  
\* Samuel Bemiss

*Donald Cowles – absent*  
*The Honorable Michael Jones - absent*

**City Auditor's Office:**

Lou Lassiter, City Auditor  
Yolanda McCoy, Audit Manager  
Bret Lewis, Audit Manager  
Andrew Ramos, Auditor  
Toni Noel, Auditor  
Rochelle Carter, Management Analyst  
\* Comer, Chassidy J – Auditor  
\* Harvell, Jennifer D. - Auditor  
\* Thomas, Selma A. - Auditor

**Office of the Inspector General:**

Craig Johnson - OIG  
\* Powell, Shatabra L. - OIG

**External Auditors:**

\* Walker, Sean - CliftonLarsonAllen

**Citizen Attendees:**

\* Tamra Savage

**City Administration/Council & Staff:**

Sabrina Joy-Hogg, DCAO Admin & Finance  
Robert Steidel, DCAO Operations  
Traci J. DeShazor, DCAO Human Services  
Charles G. Todd – DIT  
Douglas Gernat – DIT  
Sheila White – Finance  
David Rekas – Finance  
Robert Floyd - Finance  
Jason May – Budget  
Meghan Brown - Budget  
Billy Vaughan - DPU  
\* Alexander, Tyrome D. - HR  
\* Banks, Tyel L. - HCD  
\* Barnes, Crystal L. - DPW  
\* Bingham, April N. - DPU  
\* Brown, Myrtle H. - Council Chief of Staff  
\* Brubaker, Lewis - Finance  
\* Carter, Melvin D. - Fire  
\* Davenport, LaTanja E. - City Council Office  
\* Ebert, Sharon L. - DED  
\* Fairwell, Josette C. - Finance  
\* Firestine, Scott R. - RPL  
\* Floyd, Robert A. - Finance  
\* Frazier, Quiana D. - Finance  
\* Frelke, Christopher E. - DPR  
\* Hohl, Adam F. - DCAO of Operations  
\* Holmes, LaTasha S. - Council Chief of Staff  
\* Irving, Antionette V. - Sheriff's Office  
\* Iverson, Eboni T. - Finance  
\* McQueen, Donetta A. - DECPR  
\* Pack, Gianna B. - RPL  
\* Redding, C Pierre - Police  
\* Robins, Amy E. - City Council Office  
\* Spratley, Asia T. - Finance  
\* Trent, Roslyn J. - CAO  
\* Vincent, Bobby - DPW  
\* Welch, Matthew A. - DED  
\* Weston, Caitlin W. - City Attorney


**Introduction/Roll Call – Joseph Kearfott, Chair**

Mr. Kearfott called the meeting to order at 2:05 p.m. Roll call was taken of the Committee members and in-person attendees.


## Announcement

Mr. Kearfott announced that Mr. Greg Bussink, CLA's partner in charge of Richmond City's account since 2017, passed away unexpectedly in July. Mr Bussink was a consummate professional who helped get the City back on track with the ACFR. Mr. Bussink will be missed.

Mr. Kearfott announced the new partner, Mr. Sean Walker.

 **Approval of Minutes – June 13, 2023** - a motion to approve the minutes as written:

Yeas   5   Nays   0  

 **External Audit Update – Mr. Sean Walker, CLA**

### Single Audit

Mr. Walker reported that the fieldwork for the single audit started with no issues to report. Finance has provided the requested items. The VRS examination is completed and CLA is currently awaiting the rep letter. Once returned, it will be issued by the end of the month. The Sheriff's audit is in its second review and the City is in good shape on the current deliverables for this year.

Mr. Walker reported that the City of Richmond was notified of a past adjustment from last year and CLA is considering additional analysis to determine whether they need to restate the opening balance of the current year in the Capital Projects fund. The adjustment is related to a retainage payable in the construction contracts. Mr. Walker commented there are multiple opinion units within their opinion, so when this was evaluated, it wasn't material in the government general fund which was the threshold they originally evaluated it against. The thresholds in the Capital Projects were much lower. Mr. Kearfott noted it has been an issue for the past few years and asked why the underlying issue has not been fixed. Ms. White responded that when RAPIDS was setup, the system was not set up to do it. She noted they are working to have the system do this process moving forward instead of a manual process.

 **Audit Reports**

- [2024-01 APA Comparative Cost Report Analysis FY2022](#) – Mr. Bret Lewis / Andrew Ramos

Mr. Lewis thanked Finance for their assistance and auditor Andy Ramos for his work. Mr. Lewis presented the report.

Conversation ensued regarding analysis by locality of tax revenues against tax billing and how relatively effective the City is in collecting the property taxes billed (collection efficiencies). Ms. White stated that a 10-year history of Richmond's collection rates can be found in the back of the annual report.

- [2024 -02 Finance Bank Reconciliations](#) – Mr. Bret Lewis/Ms. Chassidy Comer

Mr. Lewis thanked Finance for their assistance and auditor Chassidy Comer for her work. Ms. Comer presented the report.

Conversation ensued regarding the timing of the VRS payments and documentation accuracy which were fully automated and correct. Ms. White stated that Finance concurs with the recommendation of updating policies and procedures, which is an area she has identified with her team and where they can improve.


- [2024-04 American Rescue Plan Act \(ARPA\)](#) - *Mr. Bret Lewis/Ms. Toni Noel*

Mr. Lewis thanked the Budget office as well as the representatives across the city who were responsible for the different areas of the ARPA program. Also, thanked the auditors Toni Noel and Selma Thomas who worked on the audit. Toni Noel presented the report.

Mr. Lassiter complimented the Budget Office for doing a better job tracking and monitoring funds in and out of the ARPA programs than the CARES program, as well as making sure the City followed regulations. The Auditor's Office will audit the ARPA later again in the process.

According to Ms. Meghan Brown, Deputy Director of Budget, the reason why they didn't concur with recommendation #1 concerning performance measures was because her office documented performance measures when they received the draft report, however, the draft did not identify which programs the auditors could not find. They learned at the exit interview what programs they were, so her office presented those performance measures to the auditor's office for review after the exit interview. Mr. Lassiter stated that at the time of the final draft, the auditors did not have what was needed to make a conclusion. The auditors did receive additional information to work through at the exit meeting; however, they still were unable to conclude. At this time, the report had to be submitted to the committee and the new information did not change the information from could not conclude. The Budget office did provide a statement saying they were going to continue to monitor the performance measures.

Conversation ensued regarding the roughly \$155 million the City has received from the US government that is currently in the General Fund, CIP, and Public Utilities. All funds are invested in the Local Government Investment Pool (LGIP) and are earning interest under State requirements.

-  **Investigations** – *Mr. Craig Johnson, OIG*

Mr. Johnson reviewed the Office of the Inspector General (OIG) case status as follows:

- 23 Open Cases
- 1 Substantiated (closed)
- 2 Unsubstantiated
- 1 Inconclusive – Believe the event took place but couldn't identify the individual responsible.
- 1 Open Referred Case to Federal Agency – sentencing 1 individual November 7<sup>th</sup> & 1 individual November 14<sup>th</sup>.
- 1 Referred Case to RRHA



 Old Business

▪ **FY24 Audit Plan Status** – *Mr. Lou Lassiter*

Mr. Lassiter presented the following FY24 audit plan status as of September 19, 2023:

APA Comparative Cost Analysis	Report Issued
Finance - Bank Reconciliations	Report Issued
Cybersecurity Network Vulnerability Assessment-FY23	Report Issued
American Rescue Plan	Report Issued
Personal Property Tax Assessment & Collections	In Process
Street Lights Utility Maintenance	In Process
External Audit Support - FY23	In Process
Annual Follow up	In Process
Procurement PCARDS	In Process
Budget Funding Non-Departmental	In Process
Warehousing and Inventory Management	In Process
Affordable Housing Trust Fund	Not Started
Continuous Auditing	Not Started
Cybersecurity Network Vulnerability Assessment-FY24	Not Started
DPW - Fleet Fuel Usage	Not Started
DPU - Natural Gas Utility	Not Started
Finance - Bank Reconciliations	Not Started
RRS - Timeliness and accuracy of year end 1099	Not Started
Risk Management	Not Started
Security Contract - City Wide	Not Started
Special Projects	Not Started

Mr. Lassiter reported that Ms. Chassidy Comer has accepted an offer from Virginia State University and wishes her well. The Auditor's Office vacancies now consist of two (2) audit positions and one (1) Deputy position. The team is working diligently with the resources they have, and recruitment is still a challenge.

▪ **Update on DPU Billing** – *Ms. April Bingham*

Ms. Bingham presented her update from the March 2023 DPU billing audit:

• **Outreach, Engagements & Key Accomplishments**

- ***Estimated Reads Concerns*** – On April 3<sup>rd</sup> hired several temporary employees to actually walk a route & collect reads daily for the purpose of building an actual read to customers.
- ***Billing Actual Water reads*** – As of August 23, 2023, DPU is now billing actual water reads for 96% of DPU customers.
- ***Unresolved Service Request*** - As of today, 11,300 service requests have been processed due to the ability to close the call center every Wednesday from 1:00 pm to 5:00 pm for over a 16-week period. This action will allow an all-hands-on-deck approach across the division. Expect to resume normal hours in October. Any account that is under dispute, will be placed on courtesy hold while DPU completes the investigation.
- ***Service Disconnections*** – Are back in circulation, which means friendly reminder notices and service disconnection notices are going out, and 3<sup>rd</sup> party collections are all in motion. It is with hope customers will enroll in a Promise Pay payment plan where they can address any unpaid balances (as little as \$10 down over a three-year period).

Ms. Nye stated she appreciates the work DPU has done in the last couple of months and the customer service team has been super responsive to her office.



 **New Business**

Ms. Nye announced that Lou Lassiter is retiring at the end of October 2023. Ms. Nye & Mr. Kearfott are on the team that is presently vetting and interviewing applicants. They are down to a couple of finalists and will conduct in-person interviews with the full Council next week.

Mr. Kearfott stated it has been a great pleasure working with Mr. Lou Lassiter, City Auditor. The mission of the Auditor's office has been to promote open and accountable city government through independent audit services. Mr. Kearfott feels that no one could have executed better the mission of the office. The Committee thank and wish Mr. Lassiter well in his retirement.

Mr. Lassiter responded with a thank you and he would be remiss if he didn't give credit to his team including some that have retired before him (Ms. Lily Hernandez) that graciously welcomed & helped onboard him to the City. Mr. Lassiter in closing thanked the Audit Committee for their support.

 **Closed Session**

- **2024-03 DIT Cyber Security – Tamra Savage, Canaudit**

**To Begin:**

Mr. Kearfott made a motion that the Audit Committee go into a closed meeting, *"Pursuant to section 2.2-3711(A) of the Code of Virginia to discuss cybersecurity assessments and security plans and measures of the City information technology systems because discussion of such information in an open meeting would jeopardize the City's information technology systems."*

Yeas   5   Nays   0  

**To End:**

Mr. Kearfott said, *"Do I hear a motion to end the closed meeting and certify that to the best of each member's knowledge only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the meeting by the Audit Committee?"*

Yeas   5   Nays   0  

 **Adjourn**

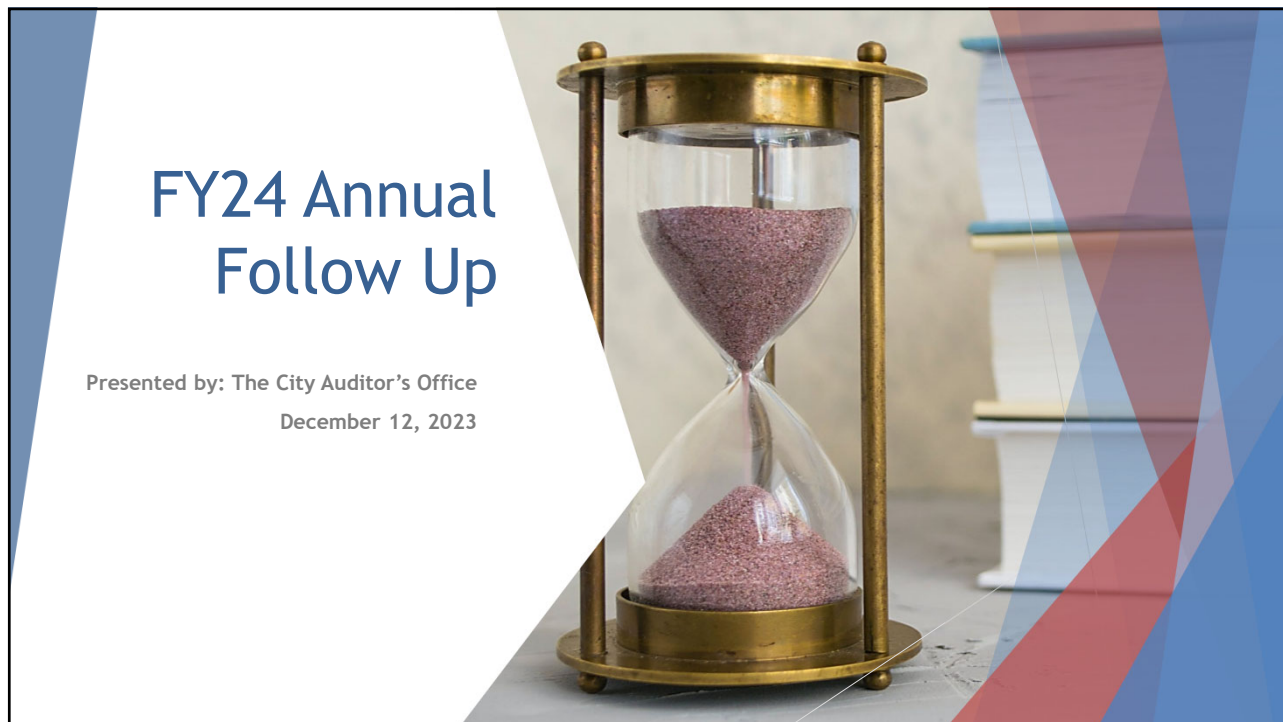
The meeting was adjourned at 4:10 PM.

Prepared by:

Rochelle Carter  
City of Richmond - City Auditor's Office

[September 19, 2023 Recording](#)

# PRESENTATIONS



1

## Summary of Annual Follow Up

Status	# of Recommendations	Explanation
Open from Prior Follow Up	133	
New in FY23	88	
Total through 6/30/23	221	
Closed	67 (30%)	Recommendations were implemented.
Removed	2 (1%)	No further follow up to be completed by the City Auditor's Office due to issues not feasible or changes in processes.
Open as of 11/17/23	152 (69%)	Recommendations have not been completed; of these, 15 recommendations had not passed their original due date.

2

## Accomplishments

- ▶ Parks & Recreation
  - ▶ Closed all 7 open recommendations
- ▶ Procurement Services
  - ▶ Closed 12 of 18 open recommendations
- ▶ Department of Emergency Communications
  - ▶ Closed 9 of 15 open recommendations
- ▶ Library Services
  - ▶ Closed all 3 open recommendations

3

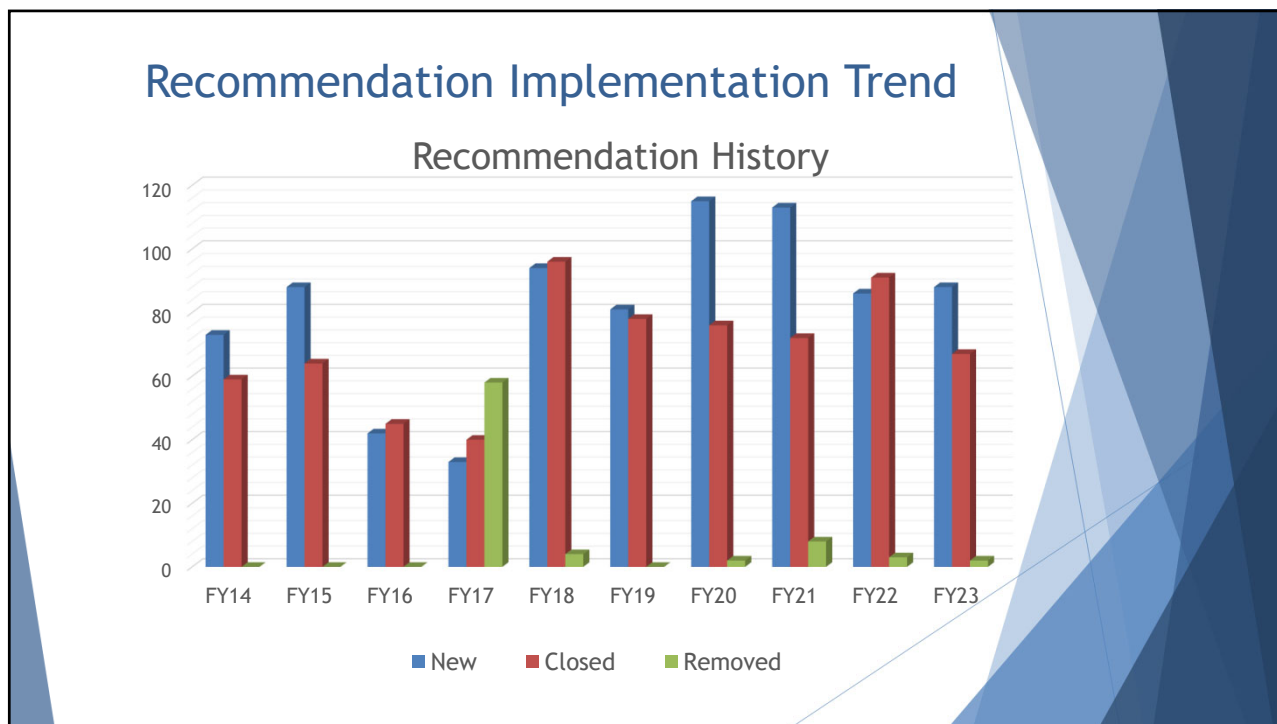
## Open Recommendations by Fiscal Year Issuance

**OPEN RECOMMENDATIONS BY FISCAL YEAR**

Fiscal Year	Percentage
FY2023	37%
FY2022	24%
FY2021	17%
FY2020	7%
FY2019	8%
FY2018	5%
FY2017	2%

- FY2021 - FY2023 Recommendations
  - 287 concurred
  - 230 closed and 13 removed.
- Ongoing audit activity leaves a percentage of recommendations open.
- Approximately 79% of open recommendations are from the last three years.

4




5

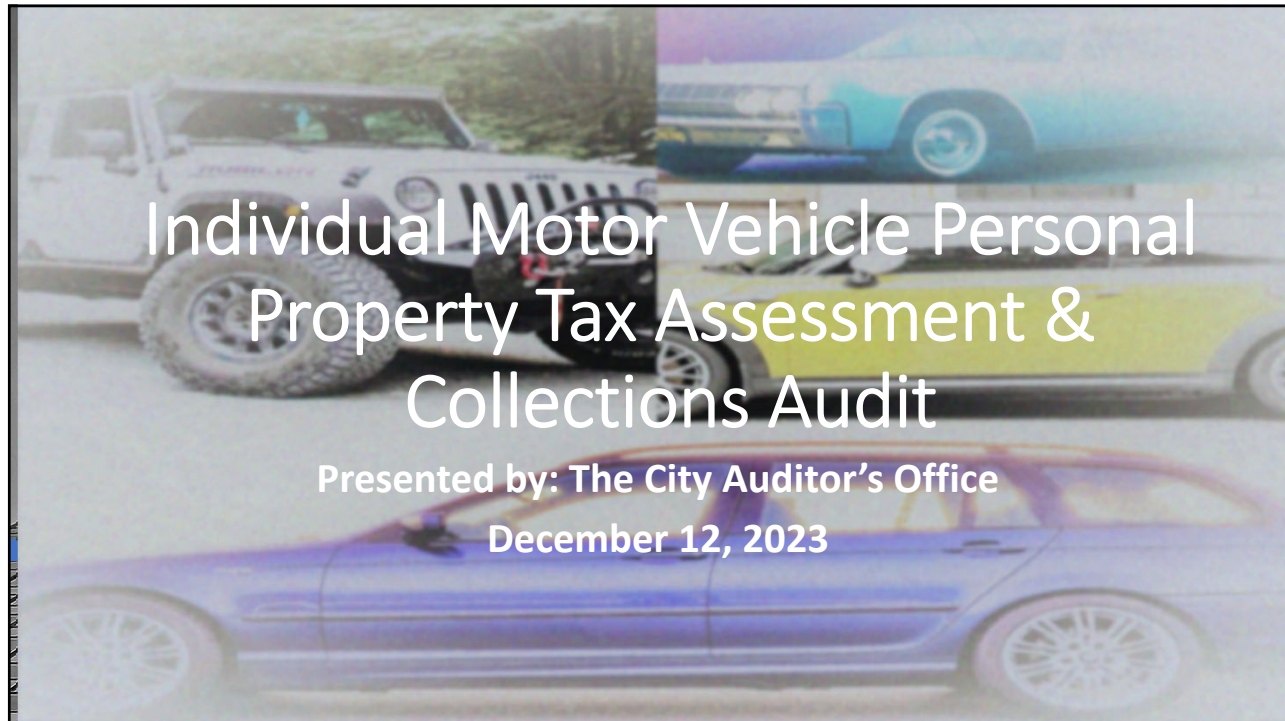
## Time Spent

- FY24 Audit plan Budget
  - 500 hours
- Time budget after planning
  - 500 hours
- Total time spent
  - 481 hours

## Questions?



6



1

## Objectives, Scope & Background

### ➤ Objectives & Scope

### ➤ Background

- 12% of the City's revenue.
- Tangible personal property is subject to taxation when it becomes located within the City limits on or after Jan 1<sup>st</sup>.
- Tax rate is \$3.70 per \$100.
- Due date: June 5<sup>th</sup> or within 60 days (situs)

2

## What Works Well



### Based on Testing

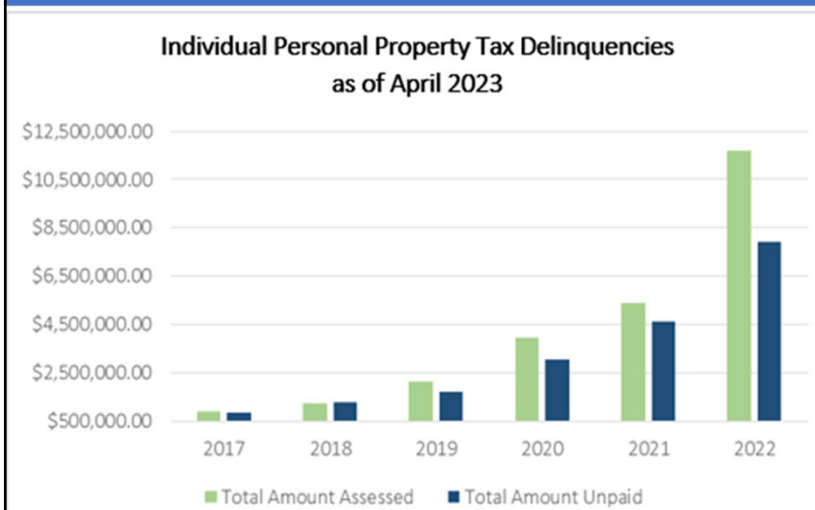
- The tax rate (\$3.70/\$100) is calculated and applied properly.
- Businesses and vehicles (weighing more than 10,000 lbs.) did not receive tax relief.
- Variety of payment options for internal and external customers.
- VRW holds are removed timely.
- Accounts exceeding the statute of limitations (5 years without judgment) are written off properly.

3

HJDA1

## What Needs Improvement

### ***Finding #1 - Individual Personal Property Delinquent Collections***



- Outstanding balance is \$19.5 million (as of April 2023).

- Sample review:
  - 95% (1<sup>st</sup> letter/notice)
  - 0% (2<sup>nd</sup> letter/notice)
  - 0% (VRW hold)
  - 100% (DSO)

4



## Finding # 2 - Assessments



J.D. Power Method	COST Method Error	COST Method	Assessed \$0.00	SIG Method
153,656	13,132	21,582	657	33,164
<b>Sample 50</b> No exceptions.	<b>Tax Year 2022</b> JD Power assessment values were overridden by the COST assessment values in error.	<b>Exception Testing</b> 5,230 vehicles greater than 20 years old. <ul style="list-style-type: none"> <li>13 of 13 (85%) assessed incorrectly. (2) for only a portion of the yr.</li> </ul>	<b>Multiple Samples</b> <ul style="list-style-type: none"> <li>4 of 10 (40%) assessed correctly.</li> <li>1 of 10 (10%) amount calculated correctly.</li> <li>7 of 7 (100%) license fees charged in error.</li> </ul>	<b>Exception Testing</b> 35 vehicles less than 20 years old. (.1%) <ul style="list-style-type: none"> <li>0 of 10 (0%) of the assessments were correct.</li> </ul>

5

## Finding #3 – Penalty & Interest

Tax Year 2022 – Due Date Amended from June 5<sup>th</sup> to August 5<sup>th</sup>

- **Penalty**
  - Sample of 41, noted 1 exception.
  - 444 bills identified as paid between the original due date of June 5<sup>th</sup> and the amended date of August 5<sup>th</sup> included a penalty.
    - In testing 10, 6 should not have had a penalty.
- **Interest**
  - Interest was calculated back to the original due date for some accounts.
- The Department of Finance noted the following:
  - **24,581** tax bills required manual corrections.
  - **41,476** corrected by background mass change date in the system.



6

## Finding #4 – Billing Taxes & License Fees

### Billing Statements

Bill Statement Date:	Due Dates:	Period Covered
5/10/2022	6/5/2022	Annual M/V Property Bills
5/17/2022	6/5/2022	Annual Lease M/V Personal Property Bills
7/29/2022	8/29/2022	Supplemental M/V Bills (January-May)
9/1/2022	10/14/2022	Supplemental M/V Bills (June-July)
11/9/2022	12/27/2022	Supplemental Lease M/V Bills (January-July)
2/14/2023	3/31/2023	Supplemental M/V Bills (August-October)
2/24/2023	4/10/2023	Supplemental Lease M/V Bills (August-December)
3/20/2023	4/21/2023	Supplemental Bills M/V (November-December)

### Billed Partial Year

- Tax Correct – 98%
- Tax off due to proration:
  - 2% for a total of \$55,796 excluding PPTR reductions

### Duplicates

- 12 vehicles
  - 4 of 12 (assessed twice)
  - 2 of 12 (duplicate accts.)
  - 6 of 12 (no information)

### Billed \$0

- 234 (1%) - Potential Exceptions
- 2 of 10 correct
  - 4 of 10 errors
  - 4 of 10 could not conclude

### Billed \$0

- 471 (3%) – Tax Exempt
- 5 of 15 correct
  - 1 of 15 error
  - 9 of 15 could not conclude

7

## Finding #5 – Personal Property Tax Relief (PPTR)

### Billed All 12 Months

PPTR Category	# of Vehicles	% of Population
Correctly Applied	132,712	94%
Potential exceptions (sampled)	913	1%
N/A – Didn't Qualify	6,675	5%
Total	140,300	100%

- Random sample of 14
  - 2 accurately did not receive PPTR
  - 4 received PPTR in error
  - 8 were not given PPTR in error

### Billed Partial Year

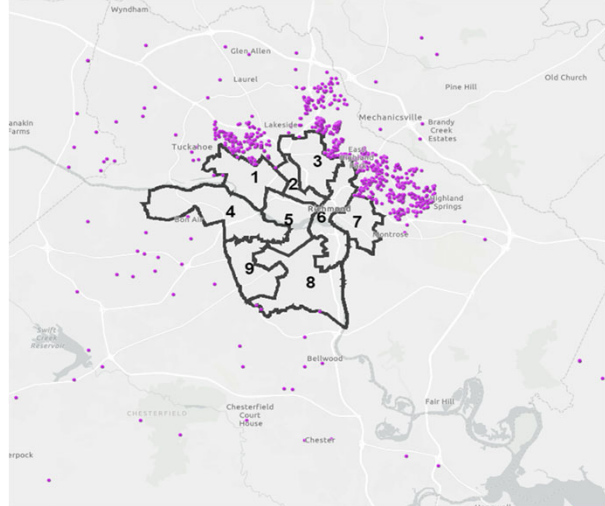
PPTR	# of Vehicles	% of Population	PPTR not applied to Customer
PPTR Received Correctly	58,630	95%	-
PPTR Incorrect Due to Proration	1,362	2%	\$21,206
PPTR Not Applicable	1,316	2%	-
Potential Exceptions (Sampled)	595	1%	-
Total	61,903	100%	-

- Random sample of 13
  - 2 had incorrect PPTR due to the original tax being incorrect
  - 8 should have gotten it and did not
  - 3 did not receive PPTR due to an incorrect weight imported from the DMV record.

8

## Finding #6 – Supplemental Data for Individual Personal Property Tax Inclusion

- 35,998 individuals on the DMV add or move-in file
- 2,586 (7%) were identified as the City of Richmond (jurisdiction) by the DMV
- 890 (34%) had a net tax greater than \$0.00 with a total of ~\$78,000
  - **Sample of 10**
    - 10 of 10 located outside of the City Limits
    - Net tax for the 10 individual accounts totaled ~\$15,524
    - 10 of 10 of the accounts did not have a 2023 tax bill in the revenue system
    - Review of the 10 accounts in the revenue system indicated:
      - Some had delinquent amounts due
      - Others had been sent to collections
      - Some were paid in full



9

## Conclusion

### Other Findings

- 7) **RVA311 Service Request Timeliness**  
*The Department of Finance has a goal of 60 days to respond to service requests related to personal property. The goal was not met during the audit scope.*
- 8) **Policies and Procedures** related to personal property and delinquent collections - *should be updated to ensure compliance with statutes and internal controls.*
- 9) **Vehicle attributes** – *the current vehicle assessment process does not include vehicle add-ons as this is not a feature of the current revenue system.*

### Recommendations

- 9 recommendations with 7 concurs and 2 non-concurs.
- Implementation Dates through FY2025

### Time Management

- Audit Plan Hours: 950
- Hours After Planning: 1,065
- Actual Hours: 1,274

10

OFFICE OF THE  
INSPECTOR GENERAL

REPORT



**James A. Osuna**  
Inspector General

## CASE STATUS

<b>16</b>	OPEN CASES
<b>2</b>	CLOSED CASE SUBSTANTIATED
<b>5</b>	CLOSED CASE UNSUBSTANTIATED
<b>2</b>	REFERRED TO OTHER AGENCY
<b>1</b>	NEW CASE ADDED
<b>1</b>	OPEN REFERRED CASE TO FEDERAL AGENCY

### **Office of the Inspector General**

Presented to the Audit Committee  
December 12, 2023

1



**James A. Osuna**  
Inspector General

## QUESTIONS



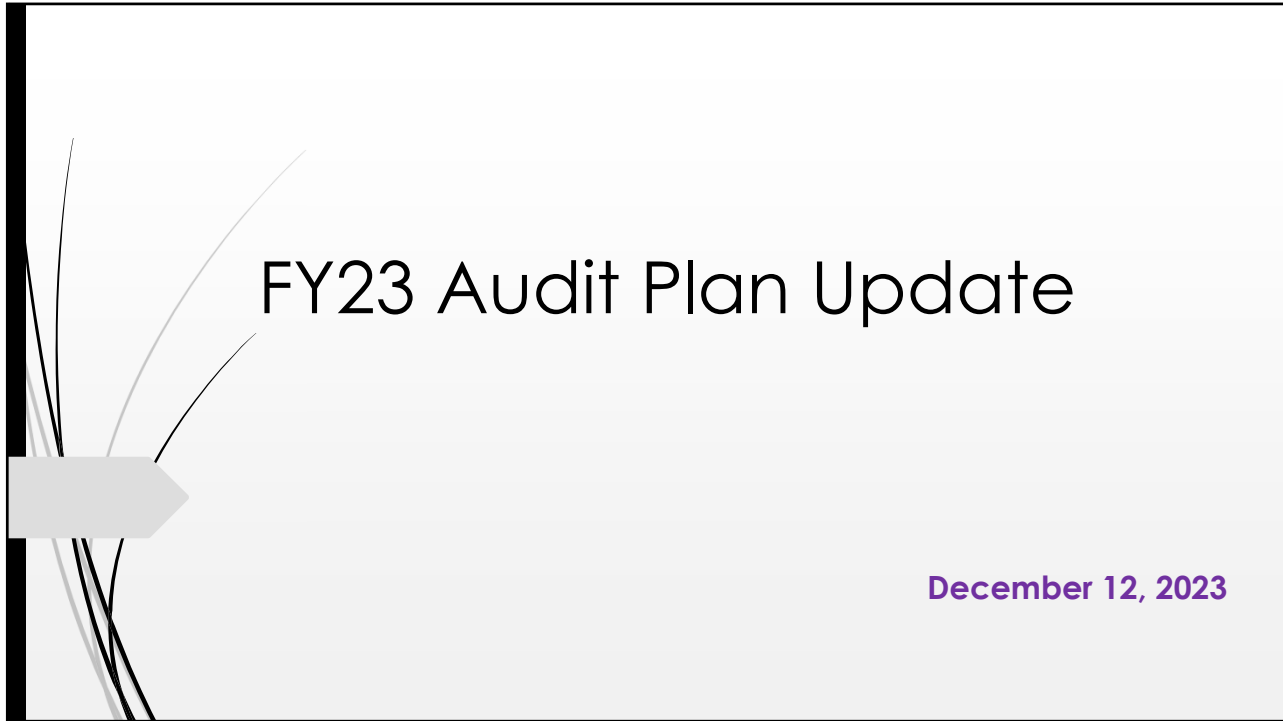
### **Office of the Inspector General**

Presented to the Audit Committee  
December 12, 2023

2



# OLD BUSINESS



1

## Status July 1, 2023 – December 12, 2023

APA Comparative Cost Analysis	Report Issued
Finance - Bank Reconciliations	Report Issued
Cybersecurity Network Vulnerability Assessment-FY23	Report Issued
American Rescue Plan	Report Issued
Personal Property Tax Assessment & Collections	Report Issued
External Audit Support - FY23	Completed
Annual Follow up	Report Issued
Streetlights Utility Maintenance	In Process
Procurement PCARDS	In Process
Budget Funding Non-Departmental	In Process
Warehousing and Inventory Management	In Process
Continuous Auditing	In Process
Affordable Housing Trust Fund	Not Started
Cybersecurity Network Vulnerability Assessment-FY24	Not Started
DPW - Fleet Fuel Usage	Not Started
DPU - Natural Gas Utility	Not Started
Finance - Bank Reconciliations	Not Started
RRS - Timeliness and accuracy of year end 1099	Not Started
Risk Management	Not Started
Security Contract - City Wide	Not Started
Special Projects	Not Started

2





# NEW BUSINESS